

## Message Text

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ACTION EB-07

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C O N F I D E N T I A L MOSCOW 0693

E.O. 11652: GDS

TAGS: ETRD,EEWT,EFIN,UR,US

SUBJECT: COMMENTS BY SENIOR SOVIET BANKING OFFICIALS ON TRADE  
BILL DEVELOPMENTS

USDOC FOR BEWT/USSR(HEISS) AND TDAD

1. SUMMARY. FIRST SENIOR U.S. BUSINESSMAN TO CALL ON EMBASSY  
SINCE JANUARY 13 ANNOUNCEMENT OF SOVIET REACTION TO TRADE BILL HAS  
BEEN FIRST NATIONAL BANK OF CHICAGO VICE CHAIRMAN RICHARD THOMAS,  
WHO CALLED ON AMBASSADOR JANUARY 16 FOLLOWING THREE DAYS OF TALKS  
WITH HIGH-LEVEL SOVIET BANKING OFFICIALS AND REPRESENTATIVES OF  
FOREIGN TRADE AGENCY TRAKTOROEXPORT. THOMAS AND FNBC NICE PRESIDNET  
JAMES CASIN REPORTED THAT THEY FOUND SOVIETS VERY DEPRESSED  
BY LATEST TURN IN EVENTS AND PESSIMISTIC THAT SOLUTION WOULD BE FOUND  
QUICKLY. BANK OF FOREIGN TRADE OFFICIALS TOOK INITIATIVE IN RAISING  
QUESTION OF BREZHNEV'S HEALTH AND STATUS, STATING INTER ALIA,  
THAT BREZHNEV WAS CLOSELY LINKED WITH DEVELOPMENT  
OF US-SOVIET TRADE. END SUMMARY.

2. THOMAS BEGAN HIS MEETINGS WITH SOVIETS JANUARY 14, MEETING  
FIRST WITH OFFICIALS OF TRAKTOROEXPORT TO IRON OUT SEVERAL  
MINOR PROBLEMS IN PAYMENTS MECHANISM FOR INTERNATIONAL HARVESTER  
SALES TO USSR. (COMMENT: THOMAS ADVISED THAT SOVIETS  
WERE QUITE FORTHCOMING ON ALL ASPECTS OF THIS PROBLEM. HE ALSO  
NOTED THAT VALUE OF OCTOBER 1974 IH SALE TO SOVIETS HAD NOW GROWN  
TO DOLLARS 115 MILLION AND WAS CONTINUING TO GROW AS SOVIETS  
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ADDED NEW EQUIPMENT TO ORDER. END COMMENT). ACCORDING TO THOMAS,

TRAKTOROEXPORT OFFICIALS WERE VERY DESPRESSED OVER LATEST DEVELOPMENTS, ALTHOUGH THEY NATURALLY DEFENDED ACTION OF SOVIET SIDE AS COMPLETELY JUSTIFIED UNDER CIRCUMSTANCES. THEY ATTRIBUTED STANCE TAKEN BY U.S. CONGRESS TO PRESSURES FROM ISRAEL AND ASKED THOMAS HOW IT WAS POSSIBLE FOR "RASCAL" LIKE SENATOR JACKSON TO HAVE SUCH INFLUENCE.

3. THOMAS REPORTED THAT REACTION AT BOTH GOSBANK AND VNESHTORGBANK WAS ESSENTIALLY ONE OF DEEP DISAPPOINTMENT AND DARK PESSIMISM THAT ANY SOLUTION TO PRESENT IMPASSE COULD BE FOUND IN NEAR TERM. SOVIET SIDE MADE POINT OF DESCRIBING BASIC GOALS OF 1976-80 FIVE-YEAR PLAN (TECHNOLOGICAL IMPROVEMENT, PRODUCTION OF HIGHER-QUALITY GOODS, IMPROVED LIVING STANDARDS) AND POINTING OUT THAT THESE WERE PRECISELY AREAS IN WHICH UNITED STATES INDUSTRY HAD MUCH TO OFFER. ALTHOUGH SOVIET OFFICIALS CAREFULLY AVOIDED STATING THAT DEVELOPMENTS ON TRADE BILL JEOPARDIZED THESE PROJECTS, THOMAS GAINED IMPRESSION THAT THIS WAS INTENDED MESSAGE.

LOOKING AHEAD, DEPUTY CHIEF OF VNESHTORGBANK'S FOREIGN EXCHANGE DEPARTMENT YU. V. POLUGAYEV SAID IT WOULD TAKE FIVE YEARS TO RESOLVE CURRENT PROBLEMS, A JUDGEMENT WHICH WAS SUPPORTED BY OTHER SOVIETS PRESENT INCLUDING VNESHTORGBANK FIRST DEPUTY CHAIRMAN A.V. BELICHENKO.

4. BELICHENKO TOOK INITIATIVE AT LUNCH HE HOSTED FOR THOMAS AND CASSIN JANUARY 16 TO RAISE QUESTION OF BREZHNEV'S HEALTH AND STATUS. NOTING WORLD-WIDE INTEREST IN THIS SUBJECT. WHICH HE SAID WOULD BE ALL THE GREATER SINCE BREZHNEV HAD NOT SEEN AUSTRALIAN PRIME MINISTER WHITLAM, BELICHENKO CLAIMED THAT BREZHNEV WAS IN FINE HEALTH. THERE WAS NO REASON FOR BREZHNEV TO HAVE SEEN WHITLAM, BELICHENKO SAID, SINCE WHITLAM WAS PRIME MINISTER AND THUS KOSYGIN'S COUNTERPART. BELICHENKO AND OTHER SOVIETS PRAISED BREZHNEV'S CONTRIBUTIONS, BOTH DOMESTICALLY AND INTERNATIONALLY, AND ONE OF SOVIETS PRESENT NOTED THAT BREZHNEV WAS VERY CLOSELY IDENTIFIED WITH DEVELOPMENT OF US-SOVIET TRADE.

5. ON SUBJECT OF BUSINESS PROSPECTS, THOMAS SAID HIS DISCUSSIONS HAD BEEN INCONCLUSIVE. IN PAST, FNBC HAD BEEN OBLIGED PASS UP PARTICIPATION IN LOANS TO USSR BECAUSE SOVIETS WERE NOT CONFIDENTIAL

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PREPARED PAY MARKET INTEREST RATES. IN RECENT MONTHS, HOWEVER, SOVIETS HAVE INDICATED THAT THEY WERE MORE FLEXIBLE ON THIS POINT AND PERHAPS PREPARED FOLLOWED LEAD OF SEVERAL EASTERN EUROPEAN COUNTRIES IN ACCEPTING REALITIES OF MARKET. THOMAS EXPRESSED CONCERN THAT THIS POSITIVE DEVELOPMENT MIGHT BE THREATENED BY SOVIET DECISION ON TRADE BILL. STOESSEL

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